

Message Text

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ORIGIN SNM-02

INFO OCT-01 NEA-10 ADP-00 EB-11 IO-13 RSC-01 /038 R

DRAFTED BY S/NM:HRWELLMAN:BB

9/6/73 EXT 28692

APPROVED BY S/NM:HRWELLMAN

NEA/RA:TGRANT (DRAFT)

OMB/FDM:LHERMAN (SUBS)

EB/ICD/ISM:DMEYERS (SUBS)

NEA/INS:JHAWES (SUBS)

----- 026162

P 062051Z SEP 73

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI PRIORITY

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STADIS//////////

E.O. 11652: N/A

TAGS: SNAR

SUBJECT: CONSULTATION WITH INDIA ON DISPOSAL OF
STOCKPILED OPIUM

1. THE DEPARTMENT IN COORDINATION WITH OMB (WHICH CHAIRS THE INTERAGENCY STUDY GROUP ON THE OPIUM SUPPLY SITUATION) HAS DEVELOPED A PAPER TO SERVE AS THE BASIS FOR INITIATING CONSULTATION WITH THE INDIAN GOVERNMENT. THE PAPER WILL BE A TALKING PAPER FOR AMBASSADOR HANDLEY'S USE WITH THE INDIAN AMBASSADOR OR HIS REPRESENTATIVE AT A MEETING IN THE DEPARTMENT WHICH WE HOPE TO SCHEDULE DURING THE WEEK OF SEPTEMBER 10. A COPY WILL BE GIVEN BY THE DEPARTMENT TO THE INDIAN EMBASSY AND BY EMBASSY NEW DELHI TO THE INDIAN MINISTRY OF FOREIGN AFFAIRS. EMBASSY NEW DELHI WOULD MAKE A SIMULTANEOUS APPROACH TO THE INDIAN MINISTRY OF FOREIGN AFFAIRS WITH THE UNDERSTANDING THAT
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THE ENSUING CONSULTATIONS CONCERNING STOCKPILE RELEASE WOULD TAKE PLACE HERE IN WASHINGTON.

2. WE HAVE DECIDED NOT TO INCLUDE A REFERENCE TO THE CONTROL AND DIVERSION PROBLEM IN THIS PAPER. THE QUESTION

OF THE ADEQUACY OF INDIAN CONTROLS OVER CURRENT OPIUM PRODUCTION AND ANY PLANNED EXPANSION WILL INEVITABLY BE DISCUSSED WITH THE INDIANS BUT IT IS PREFERABLE THAT IT BE RAISED ORALLY AND INFORMALLY.

3. BEFORE BEGINNING THE CONSULTATION WITH INDIA, THE DEPARTMENT WILL APPRECIATE ANY COMMENT THE EMBASSY MAY HAVE ON THE PAPER AND THE PROCEDURES PROPOSED. THE TEXT OF THE PAPER FOLLOWS:

4. "THE UNITED STATES GOVERNMENT WISHES TO CONSULT WITH THE INDIAN GOVERNMENT CONCERNING THE PROSPECTIVE DISPOSAL OF STOCKS OF OPIUM NOW HELD IN THE UNITED STATES NATIONAL STRATEGIC STOCKPILE FOR USE EXCLUSIVELY IN THE UNITED STATES.

5. "WITH THE PROHIBITION BY THE GOVERNMENT OF TURKEY OF OPIUM POPPY CULTIVATION, INDIA HAS BECOME THE PRINCIPAL PRODUCER OF GUM OPIUM FOR THE WORLD MARKET FOR MEDICAL REQUIREMENTS. UNITED STATES IMPORTERS HAVE THUS LOOKED TO INDIA FOR THEIR TOTAL REQUIREMENTS EXCLUSIVE OF ACQUISITIONS, PURSUANT TO ARTICLE 24 5 B OF THE SINGLE CONVENTION ON NARCOTIC DRUGS 1961, FROM OTHER COUNTRIES OF SMALL AMOUNTS OF OPIUM SEIZED IN THE ILLICIT TRAFFIC. OVER THE NEXT 12 TO 24 MONTHS IMPORTS MAY NOT BE SUFFICIENT, HOWEVER, TO MEET CONSUMPTION REQUIREMENTS AT CURRENT RATES AND ALSO TO MAINTAIN NORMAL INVENTORIES BY MANUFACTURERS.

6. "TO MEET THIS PROBLEM THE ADMINISTRATION HAS REQUESTED FROM THE CONGRESS AUTHORITY TO DISPOSE OF BY NEGOTIATION OR OTHERWISE THE TOTAL AMOUNT OF OPIUM CONTAINED IN THE STOCKPILE CONSISTING OF 141,600 POUNDS EXPRESSED IN TERMS OF ANHYDROUS MORPHINE CONTENT EQUIVALENT TO ABOUT 634 TONS OF OPIUM.

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7. "THE REQUEST FOR CONGRESSIONAL AUTHORIZATION IS CONTAINED IN AN OMNIBUS BILL TRANSMITTED BY THE PRESIDENT TO THE CONGRESS ON APRIL 16, 1973. A SEPARATE BILL AUTHORIZING THE DISPOSAL OF THE OPIUM STOCKS ALONE HAS BEEN APPROVED BY THE SENATE AND IS UNDER CONSIDERATION IN THE HOUSE OF REPRESENTATIVES. BOTH BILLS PROVIDE THAT THE TIME AND METHOD OF DISPOSITION SHALL BE FIXED WITH DUE REGARD TO THE PROTECTION OF PRODUCERS, PROCESSORS, AND CONSUMERS AGAINST AVOIDABLE DISRUPTION OF THEIR USUAL MARKETS.

8. "SUBJECT TO CONGRESSIONAL AUTHORIZATION, THE UNITED STATES GOVERNMENT PROPOSES TO RELEASE STOCKPILED OPIUM

GRADUALLY OVER A PERIOD OF YEARS IN ACCORDANCE WITH
THE FOLLOWING PLAN:

THE AGGREGATE QUANTITY OF OPIUM IN THE STOCKPILE
SHALL BE ALLOCATED AMONG THE THREE US OPIUM IMPORTERS,
MERCK AND CO., MALLINCKRODT CHEMICAL WORKS AND S. B.
PENICK AND CO., IN PROPORTION TO THEIR RESPECTIVE MARKET
SHARES BASED UPON AVERAGE SALES DURING THE LAST THREE
YEARS. ACCORDING TO US DATA, THE SHARES WOULD BE AS
FOLLOWS:

MALLINCKRODT CHEMICAL WORKS 45.7 PERCENT
MERCK AND CO. 21.9 PERCENT
S. B. PENICK AND CO. 32.4 PERCENT

EACH COMPANY WOULD ENTER INTO A CONTRACT WITH OUR
GENERAL SERVICES ADMINISTRATION FOR THE PURCHASE OF
ITS PROPORTIONAL SHARE OF EACH TYPE OF OPIUM IN THE
STOCKPILE.

THE PRICE OF THE STOCKPILED OPIUM RELEASED WOULD
BE GEARED TO THE MARKET PRICE OF INDIAN OPIUM AT THE
TIME OF RELEASE FROM THE STOCKPILE, ADJUSTED FOR
QUALITY AND TYPE, PLUS DUTIES AND TRANSPORTATION.

EACH COMPANY WOULD BE ENTITLED TO SECURE THE
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RELEASE OF ITS SHARE, ACCORDING TO ITS CONTRACT, AT
PERIODIC INTERVALS, AS NECESSARY TO MAINTAIN A SIX
MONTHS INVENTORY, TAKING INTO CONSIDERATION ALL
AMOUNTS OBTAINED AND TO BE OBTAINED FROM IMPORTS.

9. "THE UNITED STATES WISHES TO ASSURE INDIA THAT RELEASES
WILL BE MADE FROM THE STOCKPILE PERIODICALLY AND ONLY IN
SUCH AMOUNTS AS TO ENABLE UNITED STATES IMPORTERS TO
MAINTAIN AN INVENTORY OF SIX MONTHS SUPPLIES AT
CONSUMPTION RATES AT THE TIME. RELEASES FROM THE STOCK-
PILE WILL BE USED TO SUPPLEMENT AVAILABLE IMPORT SUPPLIES
AND THEN ONLY WHEN AND TO THE EXTENT NECESSARY TO MAINTAIN
A SIX MONTHS INVENTORY, WHICH IS CONSIDERED TO BE
ADVISABLE IN THE INTERESTS OF PUBLIC HEALTH. IF IMPORTS
SHOULD BE SUFFICIENT TO COVER US REQUIREMENTS INCLUDING
NORMAL INVENTORIES, THE STOCKPILED OPIUM WOULD NOT BE
UTILIZED FOR THIS PURPOSE.

10. "THE UNITED STATES DESIRES TO CONTINUE TO IMPORT
FROM INDIA, AS THE PRINCIPAL PRODUCER OF GUM OPIUM FOR
WORLD MEDICAL REQUIREMENTS, THOSE AMOUNTS WHICH ARE
ALLOCATED TO THE UNITED STATES FROM INDIAN PRODUCTION
BASED ON THE PROPORTION OF US REQUIREMENTS TO TOTAL

EXPORT REQUIREMENTS. OUR CURRENT ACTION IS PREDICATED UPON THE NECESSITY TO BE ABLE TO MEET PROMPTLY ANY

UNANTICIPATED SHORTAGES WHICH MAY OCCUR AS A RESULT OF POOR HARVEST, UNEXPECTED DEMAND, AND THE LIKE.

11. "THE UNITED STATES GOVERNMENT WOULD APPRECIATE THE ASSURANCE OF THE GOVERNMENT OF INDIA THAT INDIA WILL CONTINUE TO MAKE AVAILABLE TO US IMPORTERS A FAIR AND PROPORTIONATE SHARE OF INDIAN OPIUM EXPORTS, RECOGNIZING THE PURELY SUPPLEMENTARY NATURE OF THE US STOCKPILE DISPOSAL PLAN.

12. "THE UNITED STATES EMBASSY IN NEW DELHI IS INFORMING THE MINISTRY OF FOREIGN AFFAIRS OF THIS REQUEST FOR CONSULTATION. THE EMBASSY IS RAISING THE FOLLOWING SUBJECTS FOR DISCUSSION IN NEW DELHI:
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13. "THE UNITED STATES GOVERNMENT REPORTED TO THE INTERNATIONAL NARCOTICS CONTROL BOARD A REQUIREMENT FOR OPIUM IN CALENDAR YEAR 1973 OF 385 TONS AND HAS REPORTED TO THE BOARD AN ESTIMATED REQUIREMENT FOR CALENDAR YEAR 1974 OF THE SAME AMOUNT. THE UNITED STATES WOULD APPRECIATE INFORMATION REGARDING THE ACREAGE AND PRODUCTION OF OPIUM WHICH THE GOVERNMENT OF INDIA PLANS IN ORDER TO MEET EXPORT REQUIREMENTS IN 1974 AND THE EXPECTED AVAILABILITY FOR EXPORTATION TO THE UNITED STATES.

14. "THE SUBJECT OF OPIUM POPPY CULTIVATION UNDER PROPERLY CONTROLLED CONDITIONS SO AS TO MEET THE WORLD'S REQUIREMENTS OF OPIUM FOR MEDICAL AND SCIENTIFIC PURPOSES HAS BEEN PROPOSED AT THE SUGGESTION OF THE INDIAN GOVERNMENT TO BE INCLUDED IN THE AGENDA OF THE NEXT SPECIAL MEETING OF THE UNITED NATIONS COMMISSION ON NARCOTIC DRUGS TO BE HELD IN GENEVA IN EARLY 1974. THE UNITED STATES WOULD WELCOME AN EXCHANGE OF VIEWS WITH THE INDIAN GOVERNMENT ON THIS SUBJECT IN ADVANCE OF THE COMMISSION MEETING. IN THIS CONNECTION, THERE APPEARS TO BE THE POSSIBILITY THAT ADDITIONAL ALKALOIDS MIGHT BE RECOVERED AND MADE AVAILABLE TO THE MARKET THROUGH UTILIZATION OF INDIAN POPPY STRAW REMAINING AFTER OPIUM GUM AND SEED HAVE BEEN HARVESTED. THE UNITED STATES GOVERNMENT WOULD BE INTERESTED IN LEARNING OF ANY CONSIDERATION THE GOVERNMENT OF INDIA MAY HAVE GIVEN TO SUCH PROCEDURES AND WOULD BE PLEASED TO COOPERATE IN STUDYING THIS OR OTHER TECHNIQUES THROUGH WHICH ADEQUATE SUPPLIES OF ALKALOIDS COULD BE INSURED." RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 06 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE177257
Document Source: ADS
Document Unique ID: 00
Drafter: S/NM:HRWELLMAN:BB
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730963/abqceimx.tel
Line Count: 216
Locator: TEXT ON-LINE
Office: ORIGIN SNM
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by martinml>; APPROVED <10-Jan-2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CONSULTATION WITH INDIA ON DISPOSAL OF STOCKPILED OPIUM
TAGS: SNAR
To: NEW DELHI
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005